

Assumptions and Considerations for Revising County Property Taxation Provisions for Mental Health and Disability Services

Assumptions and Considerations Regarding Changes to the Current System:

1. Under the current property tax system for MH-DS, unlike other property taxes, the levy is limited based upon the amount of a county's expenditures in the mid-1990s and that amount is converted to a property tax rate. As a result, there is disparity in the levy rates among the counties. Currently, there is a low rate of approximately 21¢ per \$1,000 of property value and a high rate of approximately \$2.38 per \$1,000 of property value.
2. Policy objectives for the current property tax system centered on counties included controlling expenditures (capping county levies), improving information about expenditures and services (separate MH-DS fund), and adding professional managers (CPC system). The current system has produced many examples of the county CPC system combining local, state, and federal resources to tailor services and other support to meet individual consumer needs.
3. Policy criticisms of the current system focus on inequities between counties in funding levels, service availability (gaps), provider reimbursement rates, and service quantity and quality; service delays and denials from using a legal settlement approach to determine funding responsibility; "friction" in moving moneys between the state to counties and back to the state; need to shift away from institutional services to a more community-based approach consistent with Olmstead ruling principles; and other provisions.
4. The current property tax system is subject to repeal on July 1, 2013, pursuant to 2011 Iowa Acts, chapter 123 (SF 209).
5. Although the funding mechanisms and county management provisions are repealed on July 1, 2013, the mandates for counties to provide MH-DS remain in effect. (ISAC mandate list is included in meeting packet.) Consequently, it was suggested at the November 2011 study committee meeting that counties may utilize the unusual circumstances provisions in Code section 331.426 to levy in order to pay for the service mandates. Legislation to address the mandates could do one of the following:
 - a. Revise the mandates.
 - b. Shift the mandates to the state.
6. Possible options to address the SF 209 repeals of levy and state funding:
 - a. Leave the repeals in effect but enact new property tax and/or state funding provisions to replace them.
 - b. Extend the July 1, 2013, repeals to a date later than July 1, 2013.
 - c. Move the repeals to a different date certain when some sort of policy or financial trigger has been achieved.
 - d. Reinstate property tax authority but base on a levy rate limit rather than dollar amount limit.
 - e. Replace the repeals with an incremental phase out of county funding and provide state funding instead.
 - f. Reinstate supplemental levy authority for MH-DS. If this approach is implemented, should there be some sort of rate or dollar limit?
 - g. Reinstate the existing dollar cap levy limits by eliminating the repeals.
7. If levy authority is reinstated, would the levy authorization be a set rate or maximum rate or will it continue to be a dollar amount limit?
8. Waiting lists are currently authorized as a financial management tool. Would that approach continue?

General Assumptions and Considerations Regarding Shifting to a Redesigned System of Property Taxation Based Upon School Aid Funding Concepts

1. The redesigned system should strive to equalize funding capacity between counties.
2. The amount of revenue available for counties to utilize in a redesigned system needs to be at least the current maximum of approximately \$125 million.
3. Any changes will be phased-in over a period of years in conjunction with regionalization and other redesign changes.
4. Any change in property taxation will likely result in either an increase or decrease compared to a county's current tax rates, depending on the county's current situation.
5. State funding will be used to equalize the revenue accrued from property taxation as it is with school aid.
6. The current school aid approach addresses 87.5 percent of the state cost per pupil and authorizes property taxation for the remainder. Perhaps for MH-DS, 100 percent of the cost could be addressed.
7. Although other methods could be used, for ease of discussion, a general population/per capita approach (similar to the state cost per pupil concept in school aid) is utilized to illustrate methods of equalization. Other methods previously proposed include:
 - a. Using the actual number of cases with a level of need index for each case.
 - b. Generally weighting case numbers based on level of need similar to the weighing approach used in school aid.
 - c. Using a general population/poverty population blend for the per capita approach.

Other Assumptions and Considerations Regarding Use of General Population Approach to Equalize State Funding

1. Using a general population factor is a way of making sure funding generally follows population concentrations but may not adequately reflect the presence of high need cases or mix of high need and lower need cases. (One of the policy objectives for regionalization is to have enough population being served to help address this problem.)
2. The census every 10 years can be used for the general population figures however, under current law for distributing state funding for MH-DS, "population" means the latest applicable population estimate issued by the federal government.
3. The committee discussed the concept of having "core services" and also "core plus" services. Under the school aid formula, school districts have additional revenue sources for specific purposes such as instructional support. Would there be interest in authorizing additional revenue sources for "core plus" services?
4. If a per capita amount is used would the resulting levy and state aid be applied on a county-by-county basis or be uniform for all counties in a region?